

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary - Public

Date: 3/26/2010

GAIN Report Number: IN1025

India

Post: New Delhi

Weekly Highlights and Hot Bites No. 12

Report Categories:

Agriculture in the News

Approved By:

Thom Wright

Prepared By:

Amit Aradhey, Radha Mani

Report Highlights:

Food inflation at 4-month low of 16.22 percent, *India better prepared to tackle drought: Farm Secy*, *Punjab's wheat crop may be hit*, *Delivering food security*, *Centre says no to increase in PDS sugar price*, *Foodgrain for APL families may rise*, *Pawar rules out storage problem for wheat crop*, *Government sticks to 7.2 percent growth for this fiscal year*, *1,250 tons of 'toxic' wheat from Oz seized*, *Montek wants agri reforms, pushes for market prices*.

General Information:

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. government agency's point of view or official policy.

FOOD INFLATION AT 4-MONTH LOW OF 16.22 PERCENT

Food inflation fell to its lowest in four months at 16.22 percent for the week ending March 13, as the pace of price rise for potatoes slowed and other vegetables such as onions became cheaper. Inflation was 16.30 percent in the previous week. The fuel group inflation for week ending March 13 unchanged at 12.68 percent. On a week-on-week basis, the Wholesale Price Index for primary articles for week ended March 13 remained unchanged, up 0.1 percent from the previous week. According to a leading private bank executive, food inflation is likely to soften in the coming months, but fuel and manufacturing inflation could pick up. The government expects food inflation to fall after the arrival of the Rabi crop (winter) in the markets next month. (Source: The Financial Express, 03/26/10)

INDIA BETTER PREPARED TO TACKLE DROUGHT: FARM SECY

As the country enters yet another scorching summer, the farm Ministry said that the various government agencies are better prepared to tackle the vagaries of the monsoons in the coming Kharif season. "I am confident that if there is a drought, we are much better prepared. The states were caught unawares last year. This time, this should not be the case," agriculture secretary P.K. Basu told reporters in New Delhi last Friday. Chances are there for a normal monsoon this time, he added. Last year, the country was affected by the worst drought in 37 years, and kharif production in as many as 317 districts was impacted badly. "In fact, in Rabi crop, we may have some good surprises as well," he said hinting at higher wheat production this time than the record of 80.68 million tons last year.

(Source: PTI, 03/20/10)

PUNJAB'S WHEAT CROP MAY BE HIT

The early rise in temperature this month has raised fears that Punjab might slip on the record wheat output it was expecting this season. A shortfall this season would adversely affect the central government's hopes of a robust rabi crop that could offset farmers' losses due to last year's deficient rainfall. Punjab, which produces 60 percent of the wheat procured by the Food Corporation of India for the country's central pool, has received no rain in March and has also recorded a sharp increase in temperature in the past four days, with the mercury touching 36°C at many places. The level of heat at this time in March has not been felt in several years. Punjab Agricultural University Vice-Chancellor M.S. Kang said, "If the temperature slips back to normal soon, there will be no (adverse) effect. But if the high-temperature period is prolonged, it will certainly affect the yield of the wheat crop, as it will lead to shriveling of the grain, which means less weight." (Source: Hindustan Times, 03/26/10)

DELIVERING FOOD SECURITY

The well-intentioned food security Bill, cleared by the empowered group of ministers (EGoM) and now awaiting Cabinet approval, continues to raise issues that have not been fully resolved. The existing public distribution system (PDS) has been found wanting on many counts. In its present form, the draft of the Bill seeks to give the poor a right to get 25 kg of rice or wheat every month at Rs 3 a kg. Though it is not clear whether this quota would be in addition to the 35 kg of food grains provided to the below poverty line (BPL) households now or in place of it, there would be problems in both cases. On the other hand, if the new statutory food quota replaces the existing PDS entitlement for BPL families of 35 kg grains, it would tone down food security for the poor. Wheat consumers will end up paying more for food as the present price of wheat for BPL is just Rs 2 per kg, against Rs 3 mooted in the new law. The existing PDS is wholly unfit for serving the objective of food security for all. A Supreme Court-appointed Central Vigilance Committee has reported that the system is woefully inefficient, corrupt, and characterized by losses and wastage, after scrutinizing its operation in different states. (Source: Business Standard, 03/26/10)

CENTRE SAYS NO TO INCREASE IN PDS SUGAR PRICE

The Centre may have proposed a hike in PDS food grain prices for APL consumers, (ostensibly in order to contain the spiraling and unreasonable food subsidy bill), but it has signaled categorically to the sugar industry that it will not hike the price it pays for levy sugar from mills. The argument that the Centre has put forth to the currently beleaguered industry is that if it hikes the levy price to mills, it would also have to hike the PDS issue price of sugar for consumers in a high food inflation year, something it wants to avoid. The industry had recently urged the Food Ministry to increase prices, in the aftermath of global and local sugar prices crashing by over Rs 1000/qlt in the last few weeks and inflicted big losses on mills. Levy price ranges between Rs 1,275 to Rs 1,383 a quintal (100 kg) in UP, the country's second-largest producer. In Maharashtra, the largest producing state, the price ranges from Rs 1,318 to Rs 1,344/qlt. The two states account

for 55 percent of India's sugar output and in September 2009, the government considered a 50 percent hike in the levy prices to mills. (Source: Economic Times, 03/20/10)

FOODGRAIN FOR APL FAMILIES MAY RISE

With the opposition parties turning the heat on the government over rising food prices despite huge foodgrain stocks, Food and Agricultural Minister Sharad Pawar on March 19 indicated that the government may hike foodgrain allocation for above-poverty-line (APL) families. Mr. Pawar's indication comes in the backdrop of expectations of a bumper wheat crop reaching markets from next month even as the government is running short of storage capacity right now due to the huge wheat procurement following record wheat production last year. Currently, the wheat stock in the Central Pool was over 18 million tons as against the buffer norm of 4 million tons as on April 1. (Source: Indian Express, 03/19/2010)

PAWAR RULES OUT STORAGE PROBLEM FOR WHEAT CROP

Amidst concern that large quantities of wheat from last year's harvest is still lying in the open days before new crop starts hitting the market, Agriculture Minister Sharad Pawar ruled out any storage problem and said that all possible steps would be taken to minimize losses. At the meeting of the National Cooperative Development Corporation, Pawar told that "there would not be any problem for storing the new wheat crop." He also mentioned that the Centre has requested state governments to step up storage facilities for the forthcoming rabi crop. (Source: Financial Express, 03/23/2010)

GOVERNMENT STICKS TO 7.2 PERCENT GROWTH FOR THIS FISCAL YEAR

On March 22, Finance Minister Mr. Pranab Mukherjee, at the inauguration of the International Workshop on Financial Literacy, said that the Government would stick to its 'advance estimate' for economic growth at 7.2 percent for the current financial year. Mr. Mukherjee said that what the country needed today were "new opportunities for financial inclusion." It also requires a change in the mindset on the part of "policy makers, practitioners and other stakeholders to figure out ways to reach out to hitherto untouched segments." He also pointed out that financial literacy had been linked to savings behavior and making portfolio choices. (Source: Business Line, 03/23/2010)

1,250 TONS OF 'TOXIC' WHEAT FROM OZ SEIZED

The Custom office at the Chennai Port has detained over 1,250 tons of wheat imported from Australia in 50 containers. The consignment was found to contain more than permissible levels of pesticide chloropyrifos. The Central Bureau of Investigation (CBI) is also investigating the

background of the agents and the importer to find out why they were eager to obtain clearance for the consignment. The wheat contained 0.7 mg per kilo of the pesticide as against the permissible limit of 0.05 mg per kilogram. The custom officials sent the sample to the Central Food Technology Research Institute, Mysore for testing the pesticide content where it was revealed that the consignment was not fit for consumption. (Source: Times of India, 03/25/2010)

MONTEK WANTS AGRI REFORMS, PUSHES FOR MARKET PRICES

India's apex planning body has called for wide-ranging reforms in agriculture, while criticizing the strategy employed by the government to increase farm output and tame soaring food prices. The Planning Commission said that the agriculture pricing system should be made more market-oriented by delinking support prices from procurement prices. It suggested measures such as abolition of levies and stocking limits, encouraging free movement of good across the country, and doing away with bans on exports and futures trading. The government's management of agriculture has drawn criticism from several quarters after its policies failed to rein in food price inflation which is hovering around 18%, a level unseen in several years. Growth in agricultural production dropped to 1.6% in 2008-09 and is estimated to post a decline of 0.2% in 2009-10 due to poor rains affecting kharif crops. (Source: The Economic Times, 03/23/2010)

RECENT REPORTS SUBMITTED BY FAS/NEW DELHI

REPORT #	SUBJECT	DATE SUBMITTED
IN1022	Weekly Hot Bites, #11	03/19/2010
IN1024	Poultry & Products: Government Extends Ban on Import of Livestock Products Due to Avian Influenza	03/25/2010

WE ARE ON THE NET

Visit our headquarters' home page at www.fas.usda.gov for a complete selection of FAS worldwide agricultural reporting.

FAS/NEWDELHI EMAIL

To reach FAS/New Delhi, email us at Agnewdelhi@fas.usda.gov